



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

To the Board of Education Gunnison Watershed School District RE-1J Gunnison, Colorado

We have audited the financial statements of Gunnison Watershed School District RE-1J for the year ended June 30, 2020. Professional standards require that we provide you with the following information related to our audit.

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the Notes to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Estimated useful lives for depreciation on fixed assets: Management's estimate is based on industry practice and experience. We evaluated the key factors and assumptions used to develop the useful lives used in determining depreciation and found that it is reasonable in relation to the financial statements taken as a whole.
- Estimated Net Pension Liability and Pension-Related Deferred Inflows and Outflows: These estimates are based on actuarial calculations and assumptions provided by the Public Employees Retirement Association of Colorado.
- Estimated Net Other Post-Employment Benefits Liability and related Deferred Inflows of Resources, and Deferred Outflows of Resources: These estimates are based on actuarial calculations and assumptions provided by the Public Employees Retirement Association of Colorado.
- Pupil Count: Management makes a count of all pupils every October. If that count differs upon audit by CDE, the District's per pupil funding could retroactively change.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements prior to reporting in the District's year-end financial report.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

As is required in an audit engagement we have requested certain representations from management that are included in the management representation letter.

We noted the following items:

Credit Card Approval

During the course of the audit, it was discovered that credit card purchases are not formally reviewed and approved by supervisors. The District Bookkeeper reviews for proper coding and receipts, but a formal approval is not performed. We recommend that credit card transactions be reviewed and approved for an appropriate business purpose by direct supervisors. Evidence of the approval should be retained with supporting documentation. It should also be noted that each supervisor should not review their own transactions.

Upcoming Governmental Accounting Standards Board Statement Statements:

GASB has issued Statement No. 84, *Fiduciary Activities*, which requires governments to change the presentation of agency funds. Statement No. 84 was required to be implemented for periods beginning after December 15, 2018. However, due to COVID-19, GASB has issued Statement 95, which postpones the implementation of GASB 84 by one year to periods beginning after December 15, 2019.

Finally, GASB has issued Statement No. 87, *Leases*, which will require recognition of certain leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 was required to be implemented for periods beginning after December 15, 2019. However, due to COVID-19, GASB has issued Statement 95, which postpones the implementation of GASB 87 to periods beginning after June 15, 2021.

This report is intended solely for the information and use of the Board of Education, management, and others within the organization and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,



McMahan and Associates, L.L.C.
December 15, 2020